SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2023-2024 Regular Session

AB 1333 (Ward)
Version: June 10, 2024
Hearing Date: July 2, 2024
Fiscal: Yes
Urgency: No
ME

SUBJECT

Single-family dwelling units: bundled sales

DIGEST

This bill prohibits a homebuilder of a new single-family dwelling unit, as defined, from conducting a bundled sale of 2 or more parcels of real property containing one to 4 single-family dwelling units, inclusive, under a single assessor's parcel number, in a single transaction to an institutional investor, as defined, if the certificate of occupancy was issued for a single-family dwelling unit within the bundled sale and the contract of sale was entered into on or after January 1, 2025. The bill exempts a homebuilder from this prohibition if the homebuilder obtains an affidavit signed under penalty of perjury from the buyer that the buyer is not an institutional investor, among other things. The bill authorizes the Attorney General or a district attorney, county counsel, or city attorney to bring a civil action to enforce provisions of the bill, as specified. If the public prosecutor prevails in the civil action, the bill authorizes a court to order the payment of a civil penalty, as specified, and reasonable attorney's fees and costs.

EXECUTIVE SUMMARY

The author brings this bill as a response to what he asserts is "growth in institutional investor activity in the single-family housing market." The author specifies that the bill "is addressing the relatively recent trend of build-to rent communities, in which institutional investors will purchase large quantities of new single-family homes in bulk (typically at discount)." Materials that were submitted to the Committee do not show that entities that own 1,000 or more single-family residential properties are buying up large amounts of single-family residences in California. In 2018, investors with at least 1,000 properties owned just 2% of single-family homes and multifamily structures with 2-4 units.[1] The same report noted that mom and pop landlords with 1-2 units owned two-thirds of all small rental properties.[2] A recent Los Angeles Times article noted that

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[1] *8 Facts About Investor Activity in the Single-family Rental Market*, Alexander Hermann (July 18, 2023) available at: 8 Facts About Investor Activity in the Single-Family Rental Market | Joint Center for Housing Studies (harvard.edu) as of June 20, 2024.
[2] *Id.*

the "percentage of single-family home rentals owned by large institutional investors remains small, just over 3% of the total, according to a recent Brookings Institution estimate…"[3] No California specific data was submitted to the Committee regarding investors who own 1,000 or more single-family homes. It is unclear that prohibiting homebuilders from conducting bundled sales of single-family homes to these investors will provide relief to single-family home buyers without leading to unintended consequences as described by opponents of this bill in Comment 4 of this analysis.

This bill is author sponsored. It is supported by entities that support home affordability, including Alliance of Californians for Community Empowerment, Housing Now!, Livable California, and the California Association of Realtors. The bill is opposed by the California Apartment Association, the California Business Roundtable, California Mortgage Bankers Association, and National Rental Home Council.

PROPOSED CHANGES TO THE LAW

Existing law:

1) Provides that all property has an owner, whether that owner is the state and the property is public, or the owner is an individual and the property is private. Provides that the State may also hold property as a private proprietor. (Civ. Code § 669.)

2) Bans properties from being bundled for sale at foreclosure auctions. (Civ. Code § 2924g.)

3) Defines "bundled sale" as the sale of two or more parcels of real property containing one to four residential dwelling units, inclusive, at least two of which have been acquired through foreclosure under a mortgage or deed of trust. (Civil Code § 2924p.)

4) Defines "real estate investment trust" as a corporation, trust, or association which, among other things, is managed by one or more trustees or directors; the beneficial ownership of which is evidenced by transferable shares; which would be taxable as a domestic corporation; and has a beneficial ownership held by 100 or more persons. (26 USC § 856(a); Corp. Code §§ 174.5, 5063.5, 12242.5, 23000.)

This bill:

1) Provides that notwithstanding any other law, a homebuilder of a new single-family dwelling unit, as defined in 10), below, shall not conduct a bundled sale, as defined in 10), below, to an institutional investor, as defined in 10), below, if the certificate of

[3] *Nation's largest single-family home landlord to pay $3.7 million in California rent-gouging case,* Los Angeles Times, Liam Dillon (Jan. 8, 2024), available at: [Landlord to pay $3.7 million in California rent-gouging case - Los Angeles Times (latimes.com)] [as of June 30, 2024]

occupancy for a single-family dwelling unit in the bundled sale was issued and the contract of sale for the bundled sale was entered into on or after January 1, 2025.

2) Exempts a homebuilder from the prohibitions in this bill if the homebuilder obtains an affidavit signed under penalty of perjury from the buyer that the buyer is not an institutional investor.

3) Provides that this bill shall not limit a homebuilder's ability to construct and own a rental single-family dwelling unit for its own portfolio or the homebuilder's ability to transfer a rental single-family dwelling unit to a subsidiary or parent of the homebuilder, which may be an institutional investor.

4) Provides that this bill shall not limit an institutional investor's ability to construct and own a rental single-family dwelling unit for the institutional investor's own portfolio if the institutional investor acquired a controlling interest in the land before the issuance of a development permit.

5) Provides that this bill shall not affect the title of a parcel of real property.

6) Provides that an escrow agent, settlement agent, title company, or title insurer has no duty to ensure compliance with the provisions of this bill and shall have no liability for a violation of this bill.

7) Provides that the Attorney General or a district attorney, county counsel, or city attorney, in the name of the people of the State of California, may bring a civil action to enforce the provisions of this bill.

8) Provides that if the Attorney General or a district attorney, county counsel, or city attorney prevails in an action brought pursuant to the provisions of this bill, the court may order both of the following: a civil penalty of $100,000 for each parcel of real property sold in violation of this bill; and reasonable attorney's fees and costs.

9) Specifies that the above enforcement mechanisms in 7) and 8) are the exclusive means for enforcing the provisions of this bill.

10) Defines the following term:
    a) "accessory dwelling unit" as it is defined in Government Code § 66313 (a);
    b) "bundled sale" as the sale of two or more parcels of real property containing one to four single-family dwelling units, inclusive, under a single assessor's parcel number, in a single transaction;
    c) "institutional investor" as an investor with portfolios containing more than 1,000 single-family dwelling units that is not a natural person and is an entity including, but not limited to, a limited liability company, limited liability partnership, or real estate investment trust;

d) "junior accessory dwelling unit" as it is defined in Government Code § 66313 (d);
e) "real estate investment trust" as it is defined in Internal Revenue Code § 856;
f) "new single-family dwelling unit" as a single-family dwelling unit, including, but not limited to, an accessory dwelling unit or a junior accessory dwelling unit, that has not been previously sold.

COMMENTS

1. Stated need for the bill

According to the author:

> As California continues to face an unprecedented housing crisis, investors have used their assets to take advantage of single family bulk home sales. These transactions occur when two or more homes are sold at a discounted rate of up to 20%. This growing trend allows investors to leverage their funds to take advantage of a bulk home discount and sometimes purchase hundreds of homes at a time. These transactions take the opportunity for first time home buyers to enter the market.
>
> AB 1333 addresses this concerning trend and prohibits the bulk sale of single family homes. This will ensure that families have the ability to make an offer on a home and the opportunity to acquire generational wealth.

A report by the Joint Center for Housing Studies of Harvard University specified the following[4]:

> Large rental operators own a small share of the single-family rental stock
>
> According to one estimate by Adam Travis tabulating Zillow ZTRAX data for 2018, investors with at least 1,000 properties owned just 2 percent of small rental properties (single-family homes and multifamily structures with 2-4 units), though 12 percent of properties owned by some corporate entity. By comparison, micro investors or mom and pop landlords with 1-2 units owned two-thirds (66 percent) of all small rental properties.

The same report noted that mom and pop landlords with 1-2 units owned two-thirds of all small rental properties.[5] A recent Los Angeles Times article noted that the "percentage of single-family home rentals owned by large institutional investors remains small, just over 3% of the total, according to a recent Brookings Institution

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[4] *8 Facts About Investor Activity in the Single-family Rental Market*, Alexander Hermann (July 18, 2023) available at: 8 Facts About Investor Activity in the Single-Family Rental Market | Joint Center for Housing Studies (harvard.edu) as of June 20, 2024.
[5] *Id.*

estimate…"[6] The Committee was not provided with California specific data regarding investors who own 1000 or more single-family dwelling units.

The Assembly Judiciary Committee analysis for this bill explains the following regarding bundled sales and corporate landlords:

> Bundled sales of real estate parcels further enhances the profitability of the corporate "build-to-rent" model. Bundled or bulk sales of real property involve the combined offering of two or more parcels as a single transaction, often at a discounted price. This can present advantages to both the buyer and the seller. For buyers, bundled transactions can offer economies of scale and cost savings. By purchasing multiple properties, buyers may obtain more strategic pricing and negotiation, as the combined value of the bundled properties can create synergies that wouldn't be achievable in separate transactions. For the seller, bundled transactions offer at-scale sales, and decreased uncertainty. Within regions, researchers find that large corporate investors buying single-family rentals and rent-to-own units tend to concentrate their purchases at the neighborhood level, primarily in "low income, historically non-white neighborhoods that have suffered from disinvestment, but where gentrification or real estate cycle dynamics predict medium term price increases." (Raymond, E., et al., Federal Reserve Bank of Atlanta., *Large corporate buyers of residential rental housing during the COVID19 pandemic in three southeastern metropolitan areas* (2022), *available at* https://bpb-us-w2.wpmucdn.com/sites.gatech.edu/dist/d/2497/files/2022/01/ERaymond-2022-CorporateLandlords_PandemicPurchases.pdf.) Supporters of this bill find this concentration of the build-to-rent model in low-income, non-white neighborhoods to be troubling. In a zero-sum housing environment, where demand far exceeds supply, resulting in higher home prices, corporate winners means individual losers. A large majority of Americans report wanting to own a home and seeing homeownership as the best marker of financial success and security. (Schmidt, G., *Homeownership Remains the American Dream, Despite Challenges,* (June 2, 2022) The New York Times, *available at* https://www.nytimes.com/2022/06/02/realestate/homeownership-affordability-survey.html.)
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> [. . .]
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> ***Corporate landlords.*** In addition to depriving individual buyers of the opportunity to purchase homes, the rise of the corporate home ownership poses other problems. Corporate landlords are usually detached from the communities where the rental properties are located, and may be more motivated by profit-maximizing than the average "mom-and-pop" landlord. A

[6] *Nation's largest single-family home landlord to pay $3.7 million in California rent-gouging case,* Los Angeles Times, Liam Dillon (Jan. 8, 2024), available at: Landlord to pay $3.7 million in California rent-gouging case - Los Angeles Times (latimes.com) [as of June 30, 2024]

2017 study published by the Federal Reserve Bank of Atlanta found that corporate landlords, especially those which are large institutional investors, were far likelier than other owners to evict their tenants. (Raymond, E., et al., FRB Atlanta Community and Economic Development Discussion Paper No. 2016-4, *Corporate Landlords, Institutional Investors, and Displacement: Eviction Rates in Singlefamily* Rentals (2016), *available at* https://ssrn.com/abstract=2893552.) In 2018, a Reuters special investigation of Invitation Homes, a creation of private equity giant Blackstone Group LP, found after "interviews with scores of the company's tenants in neighborhoods across the United States, the picture that emerges isn't as much one of exceptional service as it is one of leaky pipes, toxic mold, nonfunctioning appliances, and months-long waits for repairs." (Michelle Conlin, *Reuters, Spiders, sewage and a flurry of fees – the other side of renting a house from Wall Street* (July 27, 2018), *available at* https://www.reuters.com/investigates/special-report/usa-housing-invitation/.) And just today, Attorney General Bonta announced a $3.7 million settlement with Invitation Homes to resolve allegations that it violated California's rent cap law. (Liam Dillon, Los Angeles Times, *Nation's largest single-family home landlord to pay $3.7 million in California rent-gouging case* (January 8, 2024), *available at* https://www.latimes.com/homeless-housing/story/2024-01-08/invitation-homes-tenant-rent-gouging-settlement.)

3. <u>Support</u>

The Alliance of Californians for Community Empowerment writes the following in support of AB 1333:

> This would grant families and individuals the same opportunity to purchase homes, which would otherwise be sold directly to institutional investors in bulk transactions, without ever entering the market, once an occupancy permit is issued.
>
> As California continues to face a housing crisis, investors are turning to the single family housing market to significantly increase their return on investment (ROI) for stakeholders. In 2021, it was estimated that capital investment in the single family housing market topped $45 billion dollars and expected to grow.
>
> The surge of "build-to-rent communities" facilitated by bulk sales, is a rapidly expanding trend in California, severely limiting the ability of first-time and first-generation homeowners from competing for homes. More and more developers are selling in bulk to investors, who were not part of a housing project's upfront financing or construction process, at a discounted rate before they are listed on the housing market. This uncompetitive practice is particularly difficult for lower income Californians as it reduces new housing stock, increasing home prices and rents.

> Furthermore, homes favored by investors tend to be higher-density single family units, which are the same units most affordable to working class Californian families. In 2022, the Legislature passed and the Governor signed AB 2170 (Grayson). This bill prohibited the "bulk sale" of foreclosed homes and required that institutions only accept offers from eligible bidders (defined as owner-occupants and affordable housing providers) during the first 30 days. Similarly, AB 1333 would grant families and individuals the opportunity to purchase homes, which would otherwise be sold directly to institutional investors in bulk, without ever entering the housing market.

Livable California writes the following in support of the bill:

> California is in the midst of an affordable housing crisis. In particular, the ever increasing cost of purchasing a home is forcing more and more Californians to become long-term renters. That, in turn, prevents them from gaining a foothold in the equity that home ownership provides. Instead, more and more Californians are leaving the state in favor of places where affordable housing is available for purchase – something California cannot afford to continue to happen.
>
> Increasingly, very large and wealthy institutional investors are buying up single-family homes and then renting them out. In the process, they deplete the pool of properties available for prospective individual homeowners. AB 1333 represents a modest effort toward leveling the playing field for individual homebuyers by preventing institutional investors from cornering the market on single-family homes. While some business interests have opposed this bill, they offer no alternative to prevent institutional investors from continuing to monopolize the housing market to the exclusion of individuals attempting to become residential homeowners.

The CFT, AFT, AFL-CIO writes the following in support of AB 1333:

> As institutional investors acquire a larger number of homes, they may contribute to an increase in property prices, making it more challenging for individual households, especially first-time buyers, to enter the housing market. With their deep pockets, these institutional buyers can often outbid individual homebuyers, driving up prices in the process. This leaves first-time homebuyers struggling to compete in real estate markets where affordability already is a concern.
>
> Recognizing the importance of homeownership for financial stability, this bill seeks to stymie the rise of corporate "build-to-rent" model by prohibiting the bulk sale of single-family homes in a single transaction, and thus level the playing field between institutional investors and individual home buyers. Current "bulk sale" practices in the new home developments effectively

> exclude first-time and first generation homeowners from having the opportunity to submit offers on newly constructed single-family homes, affordable to our states working families for wealth generation opportunities. AB 1333 seeks to eliminate Real Estate Investment Trusts (REITs) ability to engage in a hidden "bulk sale" contract process.
>
> As the state continues to grapple with housing supply deficiencies and our state's persistent generational wealth gap, those Californians unable to own homes are denied the opportunity to generate home equity and intergenerational wealth. Study after study shows housing ownership remains the best way for working Californians to have true economic security, which has presented an even bigger affordability issue to first-time and first-generation buyers as mortgage rates climbed to a high around 8% in the past year. In fact, 43% of REALTORS® note that housing affordability is the primary reason for their clients to change county, reinforcing the "drive until you can buy" practice, which is not in alliance with our state's environmental policy priorities.
>
> Since 2010, the median price of single families' homes more than doubled from $305,010 to $659,380 in 2020. Today, our median single-family home in California costs $822,200, likely due to seasonal factors, as the median price of housing has remained near $840,000 since its peak high of $849,000 in March 2022.
>
> This is a widespread problem for educators in the state, many of whom cannot afford to live in the districts in which they work. One of the foundational blocks of public education is that the education workforce should also be members of the school community. Educators are able to connect with students and have greater accountability when they live in the communities in which they teach. Furthermore, long commutes for educators lead to higher rates of burn-out for certificated and classified staff alike.

Housing Now! writes the following in support of the bill:

> As California continues to face a housing crisis, investors are turning to the single family housing market to significantly increase their return on investment (ROI) for stakeholders. In 2021, it was estimated that capital investment in the single family housing market topped $45 billion dollars and expected to grow.
>
> The surge of "build to rent communities" facilitated by bulk sales, is a rapidly expanding trend in California, severely limiting the ability of first-time and first- generation homeowners from competing for homes. More and more developers are selling in bulk to investors at a discounted rate before they are listed on the housing market. This practice is particularly difficult for lower

income Californians because it reduces new housing stock increasing home prices and rents.

Furthermore, homes favored by investors tend to be higher density single family units, which provide higher ROI's, but are the same units affordable to working class Californian families.

The California Association of Realtors writes the following in support of AB 1333:

REITs have evolved their investment strategies to include the purchase of NEWLY constructed market rate housing. REITs were established during the Great Recession and flourished with their initial investments and "bulk" purchase opportunities that were facilitated by a robust foreclosure market, which negatively impacted a generation of homebuyers affected by the foreclosure crisis. REITs retain ownership of parcels that have the largest return on investment (ROI), which tend to be higher density single family attached and detached units, most affordable to our states working families who desire to owner occupy an entry level market rate home. These investments have paid large dividends to their stockholders. However, federal regulations eventually eliminated "bulk" sales practices for federally backed loan securities, which has been codified into California state statute.

As REITs looked for new investment opportunities with their vast resources, build-to-rent single family, attached and detached, neighborhoods presented an opportunity to increase property holdings, provided the REIT can purchase a large number of homes in "bulk," at a discounted price from new home developers. Focused on generating larger ROI earnings for their stockholders, the REITs have found that investment in "build-to-rent" homes has a much higher ROI then an apartment with the same number of bedrooms because tenants are willing to pay significantly higher amount in rent for a house with a yard, garage, and storage space. As a result, rental rates for single-family homes have been growing almost 50% faster than rates for multi-family buildings.

Build-to-rent properties are usually smaller, more basic home models, affordable to first-time and first-generation homebuyers. The number of US renters has been steadily rising since the housing market crash of 2007. Thanks to student debt and lagging incomes, many millennials are renting, instead of owning a home, as they begin starting their families, while they contend with their existing debt obligations.

[. . .]

Renting costs more over time to families. Through homeownership families have the opportunity to eventually pay off the mortgage. It is also almost impossible for families to compete these large scale investors, a trend which began during the great recession and has persisted since growing into this new threat to familial homeownership opportunities as many markets, especially large metropolitan areas, little is available under $500,000.

[. . .]

Currently, families wishing to purchase an existing median-priced single-family home in November 2023 of $822,320 must make a minimum annual income of $186,800 in 2023. The 2022 California median income for Whites was $105,640, $120,040 for Asians, $76,310 for Hispanics/Latinos and $64,190 for Blacks (California Association of REALTORS®: Research and Economics Department).

"Build-to-rent" investments within the single-family attached and detached housing market has increased in popularity. A major driver of build-to-rent growth is the immense available capital. Since 2007, REIT investment in the single-family home market has significantly grown in popularity as financing is readily available from various lending sources (i.e., banks, insurance companies, quasi-government lending agencies - Fannie Mae and Freddie Mac) along with real estate crowdfunding (e.g., Crowdstreet raised $2.1 billion in capital for property investments with an advertised rate of return on investment of 17.1%) and retirement investment platforms, akin to mutual funds that hold real estate instead of stocks and bonds, which invest billions of dollars annually into new home acquisition.

Families seeking to owner occupy a home can't compete with an all-cash REIT offers and won't get a chance to make an offer when REITs purchase homes in "bulk". 41% of households in new build-to-rent homes are under 35, versus 25% of households in new, owner occupied single-family homes. The median household income for renters living in newly built single family rentals is $77,000, compared to just $42,000 among all renter households. This indicates build-to-rent properties are becoming increasingly popular even among higher-income households as entry level homeownership housing opportunities remain scarce. If the price of single-family homes continues to rise, as it has in the past several decades, we may see an entire generation of renters and our single-family neighborhoods dominated by renters and not homeowners who traditionally are more vested in their communities, which only serves to widen our states generational wealth gap, as working families face exclusion from the dream of homeownership if we continue to favor large scale "bulk" purchases of our states NEW market rate homeownership housing stock.

4. Opposition

The National Rental Home Council writes the following in opposition to AB 1333:

> AB 1333 seeks to limit bundled sales to institutional investors of newly constructed single family homes to no more than two units per transaction. The bill presumes that investors purchase homes after they are constructed, issued a certificate of occupancy and offered for sale to the public, where companies are competing with traditional new home buyers. This is not how Build to Rent communities are developed and the perceived competition with new buyers is not taking place at all.
>
> The construction of Build to Rent communities is financed by institutional investors, including public pension funds. The new housing units would not be constructed at all but for the initiative of Build to Rent developers. The homes do not go on sale to the general public and thus, there is no competition with traditional homebuyers, which AB 1333 purports to prevent. The Build to Rent activity in California is in fact adding to our housing stock and providing a contribution to solving our state's housing shortage. The language of AB 1333 will have a detrimental effect by discouraging investment in new housing and will slow California's emergence from the housing crisis.

The California Apartment Association and California Mortgage Bankers Association write the following in opposition to AB 1333:

> [. . .] our organizations continue to oppose (unless amended) AB 1333, your bill that would prohibit a homebuilder of a new single-family dwelling unit, as defined, from conducting a bundled sale of two or more parcels of real property containing one to four single family dwelling units, inclusive, under a single assessor's parcel number, in a single transaction to an institutional investor, as defined, if the certificate of occupancy was issued for a single-family dwelling unit within the bundled sale and the contract of sale was entered into on or after January 1, 2025.
>
> AB 1333, in its current form, would prohibit the development of new "build to rent" (BTR) communities in California, despite the clear need for more housing across the State. We acknowledge that AB 1333 provides that a bundled sale does not limit an institutional investor's ability to construct and hold single family dwelling units or BTR communities if the institutional investor acquired a controlling interest in the land before the issuance of a development permit. The language, however, appears to prohibit the sale of BTR communities as a single asset (as a bundled sale) at a later time, despite the fact that they were purposely built as rental home communities from the outset.

> This prohibition on the sale of BTR communities as a single asset would deter or completely eliminate institutional investor interest in financing the construction of new BTR communities despite the strong market demand for rental home communities as an alternative to home ownership. The financing for construction of these communities—which, at times, comes from pension funds like CalSTRS—often requires that the communities be sold as a single asset as a condition of that investment. For these reasons, we believe that AB 1333 must be amended to ensure that BTR communities—which are adding to California's much needed housing supply—can continue to be built.

The California Business Roundtable writes the following in opposition to AB 1333[7]:

> **AB 1333** imposes undue restrictions on business entities by limiting the sale of new single-family residential properties by homebuilders. This limitation undermines the principles of free enterprise and hampers investment opportunities in the real estate market. By restricting business entities' ability to participate in property acquisition and leasing, the bill reduces choices for both property owners and tenants.
>
> This bill is also likely to increase rental costs by further constraining the rental market's ability to keep up with demand, thereby undermining the very intent of the bill to increase housing affordability. Research from the University of Amsterdam and Erasmus University in 2023 showed that similar bans in the Netherlands reduced investor purchases without significantly impacting home prices or property sales. **<u>Instead, the ban led to higher rental prices.</u>**
>
> Given California's current economic challenges—including a projected $45 billion budget deficit, the highest electricity and gas prices, and the highest unemployment rate in the nation, all of which affect housing affordability for homeowners and renters alike—it is imperative to consider the long-term unintended consequences of this legislation. According to the LAO, California's budgetary challenges are partly due to a decline in new business investments in the state. Businesses need certainty to invest and grow here. California needs more housing, and corporations play a critical role in building it.
>
> We are particularly concerned that **AB 1333** will have a chilling effect on development. A recent LA Times article highlights the growing demand for build-for-rent developments. For businesses to meet this demand, they need certainty that they can exit the market in order to enter it. Limiting this ability

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[7] This is the Los Angeles Times article cited in this block quote: Dillon, L. (2024, June 13). New rental developments are changing the American dream of suburban homeownership. *The Los Angeles Times*. https://www.latimes.com/build-to-rent-american-dream-homeownership; This is the Netherlands study cited to in the block quote: Francke, M., Hans, L., Korevaar, M., & van Bekkum, S. (2023, June 15). Buy-to-live vs. buy-to-let: The impact of real estate investors on housing costs and neighborhoods. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4480261

> increases the risk for businesses to enter, especially when compounded by impending multibillion-dollar tax increases on businesses outlined in the budget. Continuously stripping away economic tools, as **AB 1333** seeks to do, is likely to exacerbate the state's business climate without effectively addressing housing affordability.
>
> **AB 1333** fails to address the root causes of housing affordability and supply in California. Instead, we urge you to focus on comprehensive solutions that address supply constraints and promote affordable and market-rate housing development.

5. <u>California Building Industry Association desired amendments</u>

Should this bill pass out of this Committee, the author would like to amend the bill with provisions that will remove the opposition of the California Building Industry Association, the California Hotel & Lodging Association, California Business Properties Association, Orange County Business Council, Southern California Leadership Council, and Apartment Association of Greater Los Angeles. According to the California Building Industry Association:

> CBIA represents the state's approximately 3,000 member companies within the home construction industry who collectively produce over 80% of all new homes built and sold annually in California. The other organizations listed above have a vested interest in increasing the supply of housing of all types to meet the needs of California workers. We appreciate the author and sponsor's willingness to work with us to minimize the damage to the production of new homes that may have resulted from AB 1333 unintentionally. We have one outstanding issue – ensuring that when a homebuilder buys another homebuilder, the acquiring homebuilder is not considered an institutional investor. We suggest the following amendment to address this issue:
>
> (a) ….
>
> (3) <u>(A)</u> "Institutional investor" means an investor with portfolios containing more than 1,000 single family dwelling units that is not a natural person and is an entity including, but not limited to, a limited liability company, limited liability partnership, or real estate investment trust.
>
> <u>(B) A homebuilder that is not a real estate investment trust is not an institutional investor when merging with, or acquiring assets from, or control of another homebuilder. However, single family dwelling units acquired in the merger or acquisition shall not be considered "sold" for the purpose of paragraph (6) of subdivision (a), and the next sale of those dwelling units may not be in a bundled sale.</u>

To be clear, this amendment would not remove the opposition of the other entities that are opposed to this bill.

SUPPORT

Alliance of Californians for Community Empowerment
California Association of Realtor
California Community Builders
CFT, AFT, AFL-CIO
Housing Now! CA Coalition
Livable California
Mission Street Neighbors

OPPOSITION

Apartment Association of Greater Los Angeles
California Apartment Association
California Building Industry Association
California Business Properties Association
California Business Roundtable
California Hotel & Lodging Association
California Mortgage Bankers Association
National Rental Home Council
Orange County Business Council
Southern California Leadership Council

RELATED LEGISLATION

Pending Legislation:

SB 1212 (Skinner, 2024) places restrictions on Real Estate Investment Trusts (REITs) purchasing housing, as defined, and places restrictions on REITs selling housing, as provided. AB 2584 is currently in this Committee.

AB 2230 (Bennett, 2024) enacts the Residential Housing Unfair Practices Act of 2023, to: (1) bring residential housing within the purview of the Cartwright Act, the Unfair Practices Act, and the Unfair Competition Law to prevent market manipulation of housing prices and supply during the period of the previously declared statewide housing emergency; and (2) ensure that residential housing is developed and managed to be responsive to the needs, demands, and pricing affordable to residents of our state and not to the needs, demands, and pricing desired by nonresident investors or speculators. The bill is currently in the Assembly Judiciary Committee.

AB 2584 (Lee, 2024) prohibits a business entity, as defined, that has an interest in more than 1,000 single-family residential properties from purchasing, acquiring, or otherwise obtaining an ownership interest in another single-family residential property and subsequently leasing the property. If the business entity violates this law then the Attorney General is entitled to bring an action in court. If the Attorney General prevails then the court is required to make the business entity pay $100,000 in civil penalties and the court is required to force the business entity to sell the property to an independent entity, which is not defined, within one year of the date the court enters judgment. The Court must also order reasonable attorney's fees and costs to be paid to the Attorney General and any other relief the court deems appropriate. This bill is scheduled to be heard in this Committee on the same day as AB 1333.

Prior Legislation:

AB 2170 (Grayson, Ch. 865, Stats. 2022) established a state-level "First Look" program, in which individuals, nonprofits, and public entities would have a 30-day window to make offers on post-foreclosure properties that are put up for sale by large lending institutions.

SB 1079 (Skinner, Ch. 202, Stats. 2020) prohibited a foreclosure trustee from bundling properties for sale at a foreclosure auction, instead requiring that each property be bid on separately. Provided an eligible bidder, as defined, 45 days after a home foreclosure auction to make an offer for the home that exceeds the highest bid.

PRIOR VOTES:

Assembly Floor (Ayes 48, Noes 1)
Assembly Judiciary Committee (Ayes 8, Noes 0)
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